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UNCLAS SECTION 01 OF 02 TAIPEI 002703

SIPDIS

SENSITIVE

STATE PASS AIT/W  
STATE FOR EAP/RSP/TC, AND NP/NE - BURKHART, STATE PLEASE  
PASS AIT/W AND USTR - WINELAND, USDOC FOR 3132 ITA/CS/DRD  
EAP JHAMILTON, 3005/ITA/CS/ADVOCACY CENTER BLOPP AGELFUSO,  
AND FOR 440 ITIA/MAC/OP/M-BMORGAN

E.O. 12958: N/A

TAGS: [KSCA](#) [TRGY](#) [ENRG](#) [BEXP](#) [TW](#)

SUBJECT: DRY-STORAGE CASKS: TAIWAN POWER WILL COMPLY WITH  
REGULATIONS

REF: A. TAIPEI 2669

- [1](#)B. TAIPEI 2474
- [1](#)C. SECSTATE 99089
- [1](#)D. TAIPEI 2250
- [1](#)E. TAIPEI 2601

[1](#)1. (SBU) SUMMARY: On June 17, AIT/T met with Edward K. Chen, Acting Chairman and President of Taipower, to deliver reftel talking points regarding nuclear safety issues and Taiwan's tender for dry-storage casks. In addition to the nuclear safety issues, AIT/T emphasized Washington agencies' concerns regarding the potential conflict of interest in the procurement process as well as the lack of transparency in the process. Chen said that he shares the US view that safety is of the utmost concern and he believes that Taiwan's Atomic Energy Commission also shares this view. He said that the ceiling price set by Taipower is reasonable and based on market surveys while the prices that have been offered have been much higher than expected. Chen said that Taipower needs to quickly move forward to secure storage facilities because of the shortage of storage space remaining at the Chinshan nuclear power plant. END SUMMARY.

[1](#)2. (SBU) On June 17, AIT/T Economic and Commercial Chiefs met with Edward K. Chen, Acting Chairman and President of Taipower, to deliver reftel talking points regarding nuclear safety issues and Taiwan's tender for dry-storage casks for low-level nuclear waste. In addition to the nuclear safety issues, AIT/T emphasized Washington agencies' concerns regarding the potential conflict of interest in having the Institute of Nuclear Energy Research (INER) enter into a sole-source contract with Taipower to provide the casks, when INER is controlled by Taiwan's nuclear regulator, the Atomic Energy Commission (AEC). AIT/T briefly reviewed the procurement history of two current tenders by Taipower: the dry-storage casks and a separate one on control-rod reduction services. AIT/T Commercial Chief had discussed these tenders in a previous meeting with Chen.

Safety is of Utmost Concern

[1](#)3. (SBU) Chen said that he shares the US view that safety is of the utmost concern. He said that he believes that the AEC also shares this view. Chen said Taipower's only objective is to secure safe, long-term storage for the spent fuel at Chinshan nuclear power plant. He said Taipower needs to take action soon to prepare for when the Chinshan on-site storage capacity is reached. He remains convinced that the best way to accommodate Chinshan's storage requirements is to proceed with the current approach to have INER supply the dry-storage technology. Chen added that dry storage is a passive activity and a relatively low risk solution.

Tender Price Unreasonably High

[1](#)4. (SBU) Chen noted that there are at least one or two US firms interested in the cask tender and that one of them is aggressive and greedy. He said that the price quoted by the firm is much higher than expected and well above the ceiling price, which was based on a market survey. He said that Taipower believes the ceiling price established in the tender is very reasonable. Chen said, "taking Holtec as an example," Taipower can never accept the high price being proposed. AIT/T responded that we are not advocating on behalf of any one company. Rather, we said AIT/T is focussed on the nuclear safety issue of the proposed project and therefore is in favor of using proven technology rather than a new approach. We also noted US concerns over the procurement process in this case, noting our view that the project should be transparent. Chen said Taipower will use proven US technology and strictly follow US Nuclear Regulatory Commission licensing procedures as implemented by Taiwan's AEC. Chen said that Taipower will comply with Taiwan's procurement law in all respects and that any

tenders, including by INER, will be done through a public, open bid process. Finally, he claimed that under the terms of Taiwan's government procurement law, officials cannot announce the companies that have bid on a project.

15. (SBU) Comment: Taipower's primary focus seems to be the timeline for completing the Chinshan dry-storage project. Chen believes that Taipower cannot afford the time that would be required to rebid the entire project. AIT/T has now presented ref C points to all of the relevant players in the dry-storage project. The AEC, INER and Taipower have all affirmed that safety is their primary concern and that they will all comply with US NRC licensing requirements and Taiwan's Government Procurement Law in this project. End Comment.  
PAAL